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Colombia

Trade Policy Monitoring

Colombian Concern About the U.S. Farm Bill

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Report Highlights:

Colombian agricultural policy makers and leading associations have expressed strong concerns about the newly-signed U.S. farm bill. Colombia insists that U.S. agricultural products will not received increased access to the Colombian market, as long as U.S. internal supports remain so high.

Includes PSD changes: No
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Unscheduled Report
Bogota [CO1], CO

About a week ago, Colombian agricultural policy makers and leaders of major agricultural associations made clear their displeasure with the new U.S. farm bill, which will significantly increase internal supports to the U.S. agricultural sector. They insist that U.S. agricultural products will not gain increased access to the Colombian market, as long as U.S. internal supports remain so high. The following are translations of articles that appeared together in the Colombia newspaper, La Republica, on May 7, 2002.

Bogota, Colombia, LA REPUBLICA, MAY 7, 2002
CONCERN FOR USA AGRICULTURAL LAW (Farm Bill)

Colombia says that it will continue to have restrictions as long as subsidies are maintained. The associations request contacts with international authorities.

By Edgar Aldana-Rosillo – LA REPUBLICA

With great concern, both the Government and the private agricultural sector of Colombia noted the approval of the new Agricultural Law issued by the Congress of the United States increasing subsidies to their producers.

The agricultural budget that will set U.S. policy in this sector for a period of six years will increase the subsidies for dairy products and for the harvest of cereals and oilseed products, among others, by US\$31.2 million per year until the year 2007.

According to the Vice-Minister of Agriculture, Luis Arango-Nieto, the (U.S.) House of Representatives passed a proposal with some subsidies, within the normal range, but when it reached the Senate, there they were significantly increased.

“With this we are going the wrong way with respect to the matter the United States has been discussing, that says that they have the intention to reduce the subsidies, but what we see is the opposite, increasing the protection”, said the official.

Also, the FTAA (known in Spanish as Alca) for the year 2005 is getting closer and the United States is already saying that there they will not negotiate the subsidies, they will do so in the World Trade Organization (WTO), thus placing a brake on this free trade agreement from the start.

This due to the fact that countries like Colombia that do not have a strong treasury to subsidize, the only thing that they will be able to do is to impede the access to our markets as long as they have subsidies “it is access against subsidies”.

Such as it is, the Farm Bill complicates things and there is a message being sent by the United States to the rest of Latin America in the sense that the negotiation of the FTAA will get complicated and that what is expected for the year 2005 will be difficult to negotiate.

REJECTION OF PRODUCTS

“What we are doing, and will continue with this firm position, is the access versus subsidies, this means, we are not going to allow the access of the American products as long as they are subsidized and this was mentioned during the recent meeting held in Margarita Island, Venezuela, where Colombia presented this position”, said Arango Nieto. Also, he explained that as the subsidies are reduced, the access to our market will be allowed.

He clarified that the impediment of the access is through duty barriers that will be maintained, because they are legal instruments of the countries and that are being applied since the United States has been demanding a reduction of such duties and Colombia’s position is to maintain them as long as they have subsidies.

EFFECTS ON COTTON

The Acting President of the Colombian Cotton Growers Federation (Conalgodon) Gustavo Castro Guerrero, expressed his concern for the consequences that the Farm Bill could have on his sector because (the Bill) distorts world prices, it depresses (cotton) prices and causes large losses.

That is why it is expected that the government will defend employment and the national production both internally and externally, before organizations such as the WTO to make the rights of the Colombian producers valid.

He also mentioned that the GOC should support the claim made by Brazil for dumping of U.S. cotton, soybean and sugar exports.

FENALCE: LESS COMPETITIVENESS

For Jose A. Cancelado, manager of the Colombian Federation of Grain Producers (Fenalce), the increase of the subsidies will create a great prejudice for the developing countries that have based their progress in a competitiveness that is lost with an (unfair) competition such as this.

With respect to grains, sorghum, corn and wheat are the most sensitive. The same Federation (Fenalce) would be the most affected at a given moment because “we have an agriculture under development, through some programs and the promotion of corn we have been able to rescue some areas that had been lost since the (economic) opening”.

However, if there is going to be a unfair advantage as that proposed by the United States, the buyers are going to prefer the imported product, resulting in deterioration of the national agriculture and of its producers.

“We have fallen behind in presenting a different course or even getting out of all arrangements or agreements, as it seems the only country that is fulfilling them is Colombia, because this facilitates triangulation”, stated the group manager. (This latter makes reference to the Andean Community of Nations).

RICE WITH SUBSIDY

Ivan Sombredero, President of the largest rice millers federacion (Induarroz), said that the approval of the Farm Bill should not come as a surprise since it could be seen that by having the resources they are able to increase the subsidies.

In the case of rice, he said that these subsidies are approximately 70 percent, which is the reason why it is believed that they should remain without an increase and the prices will continue to be stable within the levels of US\$130/140 per ton and “this brings us to think about what we are going to do in a FTAA negotiation or a liberalization of the rice market in the continent, when we have extremely high production costs”.

BUSH DEFINES AGRICULTURAL BUDGET AND INCREASES SUBSIDIES (Reuters)

The United States President George W. Bush announced that the budget for agriculture will be US\$45.100 millions negotiated by the legislators, and classified the document as a safety net “generous and reliable” for the producers of his country.

In addition, the President declared that the budget was consistent with the regulations of the World Trade Organization (WTO).

The budget for agriculture, that will set American farm policy for a period of six years, would increase the subsidies for dairy products, grains and oilseeds by US\$31.2 million per year until 2007.

The budget requests higher minimum values for a significant part of grains and revives the “support prices” (loan prices) to grant more money to the producers during the difficult times.

Under the budget, the expenses for the administration of water and land will increase by 80 percent and the legal immigrants in the United States could be included in the government’s program for food assistance.

“Even though this agreement does not satisfy all my objectives, I am in agreement because this agricultural budget supplies a generous and reliable safety net for our national producers and is consistent with the principles that we projected”, said Bush in a communication.

“The final provisions of the agricultural budget are also consistent with the commercial obligations of the United States that will intensify our ability to open external markets for the American agricultural products” added the president.

RISK FOR COLOMBIA: GROUPS

According to the President of the Agricultural Society of Colombia (SAC), Rafael Mejia-Lopez, what the United States Government did was what any country should do, to protect its agricultural sector.

He mentioned that no country should sustain its food safety based on imports, this being the risk that Colombia has when facing the strong checkbooks of the developed countries that subsidize their producers.

Also, this determination will have great impact on the FTAA negotiations, where the United States definitely wants to exclude the agricultural sector, making our producers, who are efficient, not competitive.

Another effect that this leader sees in the approval of the Bill, if Colombia does not take the necessary corrective measures, is an increase in the displaced populations with the consequent effects on the cities where life evolves around the rural activity that would be finally extinguished.